



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
LIVINGSTON COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
LIVINGSTON COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2000**

The Auditor of Public Accounts has completed the Livingston County Fiscal Court audit for fiscal year ended June 30, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

**Financial Condition:**

Cash balances increased by \$ 6,534 from the prior fiscal year, resulting in a cash surplus of \$1,083,711 as of June 30, 2000. Revenues increased by \$1,115,997 from the prior year and disbursements increased by \$1,133,255.

**Report Comment:**

- The Jailer Should Deposit Canteen Receipts On A Timely Basis

**Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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LEDBETTER SANITATION DISTRICT NO. 1 FINANCIAL REPORT	





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Joe Ward, Livingston County Judge/Executive  
Members of the Livingston County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Livingston County, Kentucky, as of June 30, 2000, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Livingston County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Ledbetter Sanitation District No.1. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, expressed herein, insofar as it relates to the amounts included for the Ledbetter Sanitation District No.1, is based solely upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Livingston County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
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In our opinion, based upon our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2000 of Livingston County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2001 on our consideration of Livingston County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The Jailer Should Deposit Jail Canteen Receipts On A Timely Basis

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Livingston County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 24, 2001



LIVINGSTON COUNTY OFFICIALS

Fiscal Year Ended June 30, 2000

**Fiscal Court Members:**

Joe Ward	County Judge/Executive
Jerry Deatherage	Magistrate
Joe O'Bryan	Magistrate
Roy Ringstaff	Magistrate
Terry Stringer	Magistrate

**Other Elected Officials:**

Billy N. Riley	County Attorney
Lannie Hall	Jailer
James Jones	County Clerk
Connie Myrick	Circuit Court Clerk
Tommy Williams	Sheriff
Sue Ann Carver	Property Valuation Administrator
Harry Van Smith	Coroner

**Appointed Personnel:**

Tracie Belcher	County Treasurer
Tracy Mitchell	Occupational Tax Collector
Nerva Richards	Finance Officer



STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS



LIVINGSTON COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2000

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$	438,938
------	----	---------

Road and Bridge Fund:

Cash		304,686
------	--	---------

Local Government Economic Assistance Fund:

Cash		260,288
------	--	---------

Occupational Tax Fund:

Cash		19,128
------	--	--------

Payroll Revolving Account - Cash

		883
	\$	1,023,923

Enterprise Fund Type

Convalescent Center Fund:

Cash		53,783
------	--	--------

Component Unit

Rescue Squad Fund

Cash		7,085
------	--	-------

Total Assets

	\$	1,084,791
--	----	-----------

Other Resources

General Fund Type

General Fund:

Amounts to be Provided in Future Years for Voting Machines

Capital Lease Principal Payments (Note 4)		29,000
---	--	--------

Total Assets and Other Resources

	\$	1,113,791
--	----	-----------

The accompanying notes are an integral part of the financial statements.

LIVINGSTON COUNTY  
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
 ARISING FROM CASH TRANSACTIONS  
 June 30, 2000  
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund Types

General Fund:

Capital Lease Principal Payments - Voting Machines	\$	29,000	
Jail Fund - Cash Overdraft		197	
Payroll Revolving Account		<u>883</u>	\$ 30,080

Fund Balances

Reserved:

General Fund Type

General Fund - Emergency 911	\$	73,121	
Local Government Economic Assistance Fund - Tourism Commission		2,769	
Occupational Tax Fund - Reserved For Road Improvements		<u>19,128</u>	95,018

Enterprise Fund Type

Convalescent Center Fund - Personal Funds			2,074
---	--	--	-------

Unreserved:

General Fund Type

General Fund	\$	365,817	
Road and Bridge Fund		304,686	
Jail Fund		(197)	
Local Government Economic Assistance Fund		<u>257,519</u>	927,825

Enterprise Fund Type

Convalescent Center Fund			51,709
--------------------------	--	--	--------

The accompanying notes are an integral part of the financial statements.

LIVINGSTON COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES  
ARISING FROM CASH TRANSACTIONS  
June 30, 2000  
(Continued)

Liabilities and Fund Balances (Continued)

Fund Balances (Continued)

Component Unit

Rescue Squad Fund	<u>7,085</u>
Total Liabilities and Fund Balances	<u>\$ 1,113,791</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES



LIVINGSTON COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 2000

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 3,249,105	\$ 1,289,423	\$ 952,909	\$ 53,756
Transfers In	360,000	45,000		200,000
Kentucky Advance Revenue Program	588,900	544,585	44,315	
Other Receipts	35,740			
Total Cash Receipts	<u>\$ 4,233,745</u>	<u>\$ 1,879,008</u>	<u>\$ 997,224</u>	<u>\$ 253,756</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 3,232,816	\$ 1,087,658	\$ 977,910	\$ 253,591
Transfers Out	360,000	200,000		
Convalescent Activities	4,703			
Schedule of Other Expenditures	28,892			
Capital Lease on Voting Machines:				
Principal Paid	6,000	6,000		
Emergency Operations Center Lease:				
Principal Paid	5,900	5,900		
Kentucky Advance Revenue Program Repaid	588,900	544,585	44,315	
Total Cash Disbursements	<u>\$ 4,227,211</u>	<u>\$ 1,844,143</u>	<u>\$ 1,022,225</u>	<u>\$ 253,591</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 6,534	\$ 34,865	\$ (25,001)	\$ 165
Cash Balance - July 1, 1999	<u>1,077,177</u>	<u>404,073</u>	<u>329,687</u>	<u>(362)</u>
Cash Balance - June 30, 2000	<u>\$ 1,083,711</u>	<u>\$ 438,938</u>	<u>\$ 304,686</u>	<u>\$ (197)</u>

The accompanying notes are an integral part of the financial statements.

LIVINGSTON COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 Fiscal Year Ended June 30, 2000  
 (Continued)

General Fund Type		Enterprise Fund Type	Component Unit
Local Government Economic Assistance Fund	Occupational Tax Fund	Convalescent Center Fund	Rescue Squad Fund
\$ 349,168	\$ 134,279	\$ 469,570 115,000	\$
		20,248	15,492
\$ 349,168	\$ 134,279	\$ 604,818	\$ 15,492
\$ 310,270 115,000	\$ 70,151 45,000	\$ 533,236 4,703 15,101	\$  13,791
\$ 425,270	\$ 115,151	\$ 553,040	\$ 13,791
\$ (76,102) 336,390	\$ 19,128	\$ 51,778 2,005	\$ 1,701 5,384
\$ 260,288	\$ 19,128	\$ 53,783	\$ 7,085

The accompanying notes are an integral part of the financial statements.

LIVINGSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2000

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Livingston County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has decided that the Livingston County Rescue Squad is a component unit of Livingston County Fiscal Court and should be discretely presented as part of the reporting entity. The Ledbetter Sanitation District No.1, which was audited by other auditors, is also a component unit of the county and is presented in Appendix B, as a part of the reporting entity.

The Ledbetter Sanitation District No. 1 is a legally separate entity established to provide sanitation services to the county. The fiscal court appoints the Board's members, and the Board's governing body is substantially different from that of the fiscal court. However, the fiscal court is financially accountable for the Board because they co-signed a note issued by the Board. This financial accountability requires management to include the Board as a component unit. The Board is not included in any other organization's reporting entity and does not provide services exclusively to the fiscal court; therefore, the financial activity of the Board will be presented discretely.

The Livingston County Rescue Squad is a legally separate entity established to provide rescue services to the county. The fiscal court is financially accountable for the Livingston County Rescue Squad which is fiscally dependent on the fiscal court. Therefore, management has included the entity as a component unit, and the financial activity is presented discretely.

Additional - Livingston County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Livingston County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

LIVINGSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2000  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Livingston County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Livingston County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and the Occupational Tax Fund.

2) Enterprise Fund Type

Enterprise Fund Type accounts for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Convalescent Center Fund of the Fiscal Court is reported as an Enterprise Fund using a modified cash basis of accounting.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Livingston County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Rescue Squad. The Department for Local Government does not require component entities to be budgeted.

LIVINGSTON COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2000  
 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit. KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Livingston County Fiscal Court:

Senior Citizens Center  
 Ledbetter Fire Department  
 Grand Lakes Fire Department  
 Burna Fire Department

Ledbetter Water District  
 Livingston County Extension District  
 Livingston County Conservation District

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on this criteria, the following is considered a joint venture of Livingston County Fiscal Court:

Livingston-Crittenden Water District

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

LIVINGSTON COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2000  
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2000, and August 31, 1999, the county's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the county's agent in the county's name.

Note 4. Capital Lease

The county entered into a capital lease with Kentucky Association of Counties Leasing Trust for voting machines on November 30, 1994, for \$62,000 at various interest rates. The principal outstanding as of June 30, 2000 totals \$29,000. Lease payment requirements due in future years are as follows:

Capital Lease - Voting Machines

Fiscal Year Ending	Interest	Principal
6/30/2001	\$ 1,785	\$ 7,000
6/30/2002	1,306	7,000
6/30/2003	827	7,000
6/30/2004	319	8,000
Totals	<u>\$ 4,237</u>	<u>\$ 29,000</u>



LIVINGSTON COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2000  
 (Continued)

Note 5. Lease-Purchase Agreement

The county has entered into the following lease-purchase agreement which is a general fund liability:

Description	Purchase Date	Maturity Date	Interest Rate	Amount
EOC Building	12/2/1996	6/1/2002	5.67%	\$ 11,200

Note 6. Commitments and Contingencies

Livingston County co-signed a loan for the Ledbetter Sanitation District for \$35,000 on November 24, 1999. The loan was with the Kentucky Area Development Districts Financing Trust. The note expires December 1, 2004.

Note 7. Insurance

For the fiscal year ended, June 30, 2000, Livingston County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The Livingston County Jail Canteen Fund had income of \$13,318, less cost of goods sold and other expenditures of \$8,009, leaving net income of \$5,309 as of June 30, 2000. All profit expenditures were for the benefit and/or recreation of the inmates.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



LIVINGSTON COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 2000

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,192,871	\$ 1,289,423	\$ 96,552
Road and Bridge Fund	788,067	952,909	164,842
Jail Fund	64,118	53,756	(10,362)
Local Government Economic Assistance Fund	391,825	349,168	(42,657)
Occupational Tax	90,000	134,279	44,279
<u>Enterprise Fund Type</u>			
Convalescent Center Fund	<u>472,039</u>	<u>469,570</u>	<u>(2,469)</u>
Totals	<u>\$ 2,998,920</u>	<u>\$ 3,249,105</u>	<u>\$ 250,185</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 2,998,920
Add: Budgeted Prior Year Surplus			1,235,248
Less: Budgeted Other Financing Uses			<u>(11,900)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 4,222,268</u>

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SCHEDULE OF OPERATING REVENUE





LIVINGSTON COUNTY  
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 2000

		GOVERNMENTAL FUND TYPES	PROPRIETARY FUND TYPES
	Totals (Memorandum Only)	General Fund Type	Enterprise Fund Type
REVENUE:			
Taxes	\$ 786,868	\$ 786,868	\$
In Lieu Tax Payments	148,150	148,150	
Excess Fees	46,609	46,609	
License and Permits	4,913	4,913	
Intergovernmental Revenues	1,474,852	1,474,852	
Charges for Services	531,534	118,895	412,639
Miscellaneous Revenues	201,343	145,324	56,019
Interest Earned	<u>54,836</u>	<u>53,924</u>	<u>912</u>
Total Operating Revenue	<u>\$ 3,249,105</u>	<u>\$ 2,779,535</u>	<u>\$ 469,570</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



LIVINGSTON COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 2000

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 613,302	\$ 523,706	\$ 89,596
Protection to Persons and Property	736,357	695,500	40,857
General Health and Sanitation	76,266	68,602	7,664
Social Services	11,225	6,190	5,035
Recreation and Culture	25,464	11,267	14,197
Roads	712,340	1,073,998	(361,658)
Road Facilities	457,163		457,163
Debt Service	2,000	1,899	101
Capital Projects	71	71	
Administration	965,285	318,347	646,938
Total Operating Budget - All General Fund Types	<u>\$ 3,599,473</u>	<u>\$ 2,699,580</u>	<u>\$ 899,893</u>
Other Financing Uses:			
Capital Lease on Voting Machines- Principal	\$ 6,000	\$ 6,000	\$
Emergency Operations Central Lease- Principal	<u>5,900</u>	<u>5,900</u>	
TOTAL BUDGET - ALL GENERAL FUND TYPES	<u><u>\$ 3,611,373</u></u>	<u><u>\$ 2,711,480</u></u>	<u><u>\$ 899,893</u></u>

LIVINGSTON COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 Fiscal Year Ended June 30, 2000  
 (Continued)

Expenditure Categories	ENTERPRISE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 19,954	\$ 42,624	\$ (22,670)
General Health and Sanitation	425,039	396,924	28,115
Administration	<u>177,802</u>	<u>93,688</u>	<u>84,114</u>
TOTAL BUDGET - ENTERPRISE FUND TYPE	<u>\$ 622,795</u>	<u>\$ 533,236</u>	<u>\$ 89,559</u>

SCHEDULE OF OTHER EXPENDITURES





LIVINGSTON COUNTY  
SCHEDULE OF OTHER EXPENDITURES

Fiscal Year Ended June 30, 2000

<u>Expenditure Items</u>	<u>Convalescent Center Fund</u>	<u>Rescue Squad Fund</u>
Miscellaneous Expenditures-		
Resident Personal Funds/Rescue Squad Expenses	<u>\$        15,101</u>	<u>\$        13,791</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Joe Ward, Livingston County Judge/Executive  
Members of the Livingston County Fiscal Court

### Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Livingston County, Kentucky, as of and for the year ended June 30, 2000, and have issued our report thereon dated August 24, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether Livingston County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Livingston County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
August 24, 2001

COMMENT AND RECOMMENDATION





LIVINGSTON COUNTY  
COMMENT AND RECOMMENDATION

Fiscal Year Ended June 30, 2000

NONCOMPLIANCE

The Jailer Should Deposit Jail Canteen Receipts On A Timely Basis

The Jailer was not depositing Jail Canteen receipts on a timely basis. We noted several instances where receipts were held several months before being deposited into the canteen bank account. Three months of receipts from the prior fiscal year were not deposited until August 1999 of the current fiscal year. We recommend that receipts be deposited on a daily basis or when receipts total \$200.

*Jailer Lannie Hall's Response:*

*Jailer has indicated that timely deposits would be made from this day forward.*

PRIOR YEAR FINDINGS

- The County Should Have A Written Agreement To Protect Deposits (Corrected)

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CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

LIVINGSTON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

Appendix A

CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
LIVINGSTON COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2000

The Livingston County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Name  
County Judge/Executive

  
\_\_\_\_\_  
Name  
County Treasurer

LEDBETTER SANITATION DISTRICT NO. 1  
FINANCIAL REPORT

Year Ended December 31, 2000



**LEDBETTER SANITATION**  
**DISTRICT No. 1**

**FINANCIAL REPORT**

**YEAR ENDED DECEMBER 31, 2000**

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LEDBETTER SANITATION DISTRICT NO. 1  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2000 AND 1999

	2000	1999
<b>ASSETS:</b>		
Current Assets:		
Cash in bank - operating account	\$ 13,391.58	\$ 20,646.77
Cash in bank - savings account	11,497.04	11,157.44
Customers' accounts receivable	15,498.59	16,833.81
Due from Ledbetter Water District	7,135.12	6,295.01
Prepaid insurance	567.67	1,035.43
Total Current Assets	\$ 48,090.00	\$ 55,968.46
Restricted Funds:		
Maintenance account	12,176.84	11,817.15
Total Restricted Funds	12,176.84	11,817.15
Utility Plant and Equipment:		
Sewer plant and equipment in service (Note 3)	4,105,930.24	4,101,315.24
Less accumulated depreciation	(433,482.00)	(320,632.00)
Net book value of plant & equipment	3,672,448.24	3,780,683.24
<b>TOTAL ASSETS</b>	<b>\$ 3,732,715.08</b>	<b>\$ 3,848,468.85</b>
<b>LIABILITIES AND DISTRICT EQUITY:</b>		
Current Liabilities:		
Accounts payable	\$ 2,804.47	\$ 2,385.00
Payroll taxes withheld and payable	89.73	567.95
Current portion of long-term debt	141,207.40	114,635.19
Accrued interest payable	6,936.38	2,043.06
Total Current Liabilities	\$ 151,037.98	\$ 119,631.20
Long-Term Debt:		
Notes payable (Note 4)	3,413,412.98	3,492,048.14
Less: Current portion	(141,207.40)	(114,635.19)
Total Long-Term Debt	3,272,205.58	3,377,412.95
Total Liabilities	3,423,243.56	3,497,044.15
District Equity:		
Contributions in aid of construction (Note 5)	392,522.44	392,522.44
Retained earnings - restricted	12,176.84	11,817.15
Retained earnings (deficit) - unrestricted	(95,227.76)	(52,914.89)
Total District Equity	309,471.52	351,424.70
<b>TOTAL LIABILITIES &amp; DISTRICT EQUITY</b>	<b>\$ 3,732,715.08</b>	<b>\$ 3,848,468.85</b>

See notes to financial statements.

LEDBETTER SANITATION DISTRICT NO. 1  
STATEMENT OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	<u>2000</u>	<u>1999</u>
Operating Revenues:		
Sewer usage receipts	\$ 197,934.51	\$ 201,395.63
Tap-on fees	12,001.41	7,010.00
Insurance refund	0.00	378.20
Rental income - land lease	<u>800.00</u>	<u>800.00</u>
Total operating revenues	210,735.92	209,583.83
Operating Expenses:		
Salaries	42,545.93	6,600.00
Utilities and telephone	26,597.26	28,233.60
Maintenance and repairs	7,381.97	10,017.79
Operating supplies	6,569.64	15,476.20
Truck expense	4,636.26	2,602.78
Training & Travel	298.34	204.31
Depreciation	112,850.00	110,645.00
Office supplies and expense	3,541.27	1,565.34
Professional fees	0.00	1,800.00
Payroll taxes	4,165.28	675.32
Insurance	3,946.26	0.00
Miscellaneous	779.19	113.95
Wastewater testing and treatment	<u>5,744.03</u>	<u>3,357.00</u>
Total operating expenses	<u>219,055.43</u>	<u>181,291.29</u>
Operating Income	(8,319.51)	28,292.54
Other Income and (Expenses):		
Interest Income	1,541.19	1,390.71
Interest expense	(28,407.70)	(26,156.04)
Loan service fee	<u>(6,767.16)</u>	<u>(6,944.30)</u>
	<u>(33,633.67)</u>	<u>(31,709.63)</u>
NET INCOME (LOSS)	<u><u>\$ (41,953.18)</u></u>	<u><u>\$ (3,417.09)</u></u>

See notes to financial statements.

LEDBETTER SANITATION DISTRICT NO. 1  
STATEMENT OF CHANGES IN DISTRICT EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	<u>Contributions</u>	<u>Retained Earnings - Restricted</u>	<u>Retained Earnings (Deficit) - Unrestricted</u>
Balance, December 31, 1998	\$ 392,522.44	\$ 11,469.19	\$ (49,149.84)
Net income (loss) for 1999	<u>0.00</u>	<u>347.96</u>	<u>(3,765.05)</u>
Balance, December 31, 1999	392,522.44	11,817.15	(52,914.89)
Net income (loss) for 2000	<u>0.00</u>	<u>359.69</u>	<u>(42,312.87)</u>
Balance, December 31, 2000	<u><u>\$ 392,522.44</u></u>	<u><u>\$ 12,176.84</u></u>	<u><u>\$ (95,227.76)</u></u>

See notes to financial statements.

LEDBETTER WATER DISTRICT  
STATEMENT OF CASH FLOWS – INDIRECT METHOD  
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	<u>2000</u>	<u>1999</u>
Cash Flows from Operating Activities:		
Operating Income	(8,319.51)	\$ 28,292.54
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	112,850.00	110,645.00
Change in Assets and Liabilities:		
Decrease (increase) in accounts receivable	1,335.22	(1,107.26)
Decrease (increase) in receivable from water district	(840.11)	(1,070.37)
Decrease (increase) in prepaid insurance	467.76	(873.50)
Increase (decrease) in accounts payable	419.47	(89.00)
Increase (decrease) in payroll taxes payable	(478.22)	(26.17)
Net cash provided by operating activities	<u>105,434.61</u>	<u>135,771.24</u>
Cash Flows from Capital and Related Financing Activities:		
Loan service fee paid	(6,767.16)	(6,944.30)
Acquisitions and construction of capital assets	(4,615.00)	(36,672.38)
Interest on note payable	(23,514.38)	(27,238.64)
Loan Proceeds	0.00	70,000.00
Principal paid on notes payable	(78,635.16)	(130,004.69)
Net Cash Provided by (used in) Capital and Related Financing Activities	<u>(113,531.70)</u>	<u>(130,860.01)</u>
Cash Flows from Investing Activities:		
Interest on investments	<u>1,541.19</u>	<u>1,390.71</u>
Net Cash Provided by Investing Activities	<u>1,541.19</u>	<u>1,390.71</u>
Net Increase (Decrease) in Cash & Restricted Cash	(6,555.90)	6,301.94
Cash & Restricted Cash at beginning of year	<u>43,621.36</u>	<u>37,319.42</u>
CASH & RESTRICTED CASH, DECEMBER 31 (Note 4)	<u>\$ 37,065.46</u>	<u>\$ 43,621.36</u>

See notes to financial statements.

LEDBETTER SANITATION DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization: The Ledbetter Sanitation District No. 1 was created by order of the Commissioner of Sanitation Districts of Kentucky, dated November 23, 1992. Ledbetter Sanitation District No. 1 was governed by a Board of Directors consisting of three members appointed by the Livingston County Judge Executive. The District lies wholly within Livingston County, Kentucky. In March, 1998, the Board of Directors voted to merge the Ledbetter Sanitation District No. 1 with the Ledbetter Water District. In July, 1998, the Ledbetter Water District, at the request of the Ledbetter Sanitation District No. 1, voted to take over the books of the District until final paperwork was approved by the Public Service Commission, the Division of Water and the Kentucky Infrastructure Authority. The Board of Ledbetter Water District is currently governing the Ledbetter Sanitation District No. 1.

Basis of Accounting: Ledbetter Sanitation District No. 1 uses the accrual basis of accounting. The accounting policies used conform to generally accepted accounting principles as applicable to governmental units. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Utility Plant and Equipment: Utility plant and equipment are stated at cost. Depreciation is provided for allocation of these costs, using the straight-line method over their estimated useful lives. The utility plant was placed in service on December 1, 1996.

Contribution in Aid of Construction: Developers and prospective users construct and pay for line or other sewer system extensions and donate these additions to the District. These additions are recorded at cost, invoiced to the user and are depreciated over their useful life using the straight-line method. Prior to January 1, 2000, such additions were recorded as contributions in aid of construction. Tap-on fees collected from new customers were also recorded as contributions in aid of construction. Current accounting principles allow these types of items to be recorded as revenues on the statement of income, rather than directly to capital accounts in the current year.

Cash and Cash Equivalents: For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments purchased with maturities of three months or less. At December 31, 2000, this included the cash in the operating, savings, and maintenance accounts.

NOTE 2 - Cash Accounts: At December 31, 2000 and 1999, the carrying amount of the District's cash accounts was \$37,065.46 and \$43,621.36. All of the bank balance was covered by federal depository insurance.

LEDBETTER SANITATION DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - Utility Plant and Equipment: The major classifications and related costs of utility plant assets are as follows as of December 31, 2000 and 1999.

	Useful Life	2000 Historical Cost	1999 Historical Cost
Land	N/A	\$ 97,860.00	\$ 97,860.00
Building - Office and Garage	40 years	38,604.30	38,604.30
Sewer Plant and Lagoons	40 years	1,165,184.37	1,165,184.37
Sewer Lines	40 years	2,424,419.86	2,424,419.86
Sewer System Engineering Costs	40 years	283,287.05	283,287.05
Sewer System Other Costs	40 years	31,402.91	31,402.91
Office Equipment	5 years	47,205.75	42,590.75
Vehicles	7 years	17,966.00	17,966.00
Total Utility Plant and Equipment		<u>\$ 4,105,930.24</u>	<u>\$ 4,101,315.24</u>

NOTE 4 - Notes Payable:

Notes payable consist of the following at December 31, 2000:

Kentucky Infrastructure Authority (KIA) loan, maturing June 1, 2017, due in semi-annual payments of principal and interest at .6%, secured by future sewer usage receipts. A loan servicing fee of .1% of the unpaid balance is also required with each payment.

\$ 3,356,812.98

Fifth Third Bank loan, maturing November 20, 2004, due in Semi-annual payments of principal and interest at 5.3% secured by land at Hodge Landing Road.

31,000.00

Fifth Third Bank loan, maturing May 20, 2004, due in Semi-annual payments of principal and interest at 4.530% secured by a backhoe.

25,600.00

Total Notes Payable

3,413,412.98

Less Current Portion

(141,207.40)

Total Long-Term Notes Payable

\$ 3,272,205.58

LEDBETTER SANITATION DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - Notes Payable (Continued): The District's future requirements for notes payable is as follows:

Year Ending	Interest	Principal	Loan Servicing Fee	Total Requirements
2001	\$ 22,428.53	\$ 141,207.40	\$ 6,588.94	\$ 170,224.87
2002	21,293.25	103,545.25	6,409.66	131,248.16
2003	20,090.02	165,547.48	6,229.30	191,866.80
2004	18,272.92	230,099.48	5,865.68	254,238.08
2005	16,317.14	214,279.38	5,439.04	236,035.56
Thereafter	93,126.05	2,558,733.99	31,042.02	2,682,902.06
	<u>\$ 191,527.91</u>	<u>\$ 3,413,412.98</u>	<u>\$ 61,574.64</u>	<u>\$ 3,666,515.53</u>

In addition to the payments on the notes above, the District is required to make an annual deposit to a Repairs and Maintenance Reserve account in the amount of \$22,000.00 per year, until said reserve equals \$220,000.00. No deposits were made to the account during the current year.

NOTE 5 - District Equity:

To provide for the District's share of construction funding, customers of the sewer system were offered the opportunity to pay a tap-on fee of \$200.00 if paid on or before August 31, 1995, and thereafter were billed a monthly sewer usage fee based on gallons of water consumed. This usage fee was billed even though the sewer system was not yet in service. After August 31, 1995, the tap-on fee was raised to \$1,000.00. This generated sewer usage fee income during 1997, 1996 and 1995 in the amounts of \$4,573.16, \$147,443.84 and \$70,775.64 respectively, even though the system was not yet in service. These amounts were included as additional tap-on fees, and were not included as period income for the years ended December 31, 1997, 1996, and 1995. The contributions in aid of construction at December 31, 2000 is as follows:

Grants	\$ 1,000.00
Tap-on fees	168,729.80
Sewer usage fees in-lieu of tap-on fees	<u>222,792.64</u>
Total	<u>\$ 392,522.44</u>

LEDBETTER SANITATION DISTRICT NO. 1  
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

NOTE 6 - Restricted Assets and Retained Earnings:

Certain assets of the Ledbetter Sanitation District No. 1 have been restricted for major repairs and maintenance to the existing system. These assets are noted on the balance sheet, with an equal amount being the balance in retained earnings - restricted.

NOTE 7 - Disclosures Regarding Statement of Cash Flows:

The amount of cash paid for interest during the year ended December 31, 2000 was \$23,514.38. There was no amount paid for income taxes as the District is tax-exempt.



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# FOUNTAIN & ASSOCIATES

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### REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Commissioners  
Ledbetter Sanitation District No. 1  
Ledbetter, Kentucky

We have audited the financial statements of Ledbetter Sanitation District No. 1 as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated May 15, 2001. We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### COMPLIANCE

As part of obtaining reasonable assurance about whether Ledbetter Sanitation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of the tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Ledbetter Sanitation District No. 1, in a separate letter dated May 15, 2001.

#### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Ledbetter Sanitation District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Ledbetter Sanitation District No. 1, in a separate letter dated May 15, 2001.

This report is intended solely for the information and use of the commissioners, management, and the Kentucky Infrastructure Authority and is not intended to be and should not be used by anyone other than these specified parties.

Benton, Kentucky  
May 15, 2001